Terebinth FI Macro FR Retail Hedge Fund

Minimum Disclosure Document | Fee Class: 1 | As of 31/10/2024

TEREBINTH CAPITAL

Fund Information

Investment Manager	Terebinth Capital (Pty) Ltd
Portfolio Manager	Erik Nel & Nomathibana Okello
Inception Date	01/04/2013
CISCA Transition	01/08/2017
Benchmark	STeFI Composite Index
ASISA Category	Retail Hedge Fund – South African – Fixed Income
Currency	South African Rand
Fund Size	2,041,619,566.26
Unit Price	3029.21
Units in Issue	1121852.06
Ticker	DRR900

Risk Profile

Medium

Portfolio Objective

Provide returns in excess of 5% over benchmark on an average annual basis over rolling 36-month periods with a low degree of volatility. The strategy is primarily focused in the most liquid areas of the broader income spectrum, with a strong focus on risk management.

Investment Strategy

The fund is a South African domiciled, rand-denominated fixed income hedge fund, focusing on macro strategies. Through the use of qualitative and quantitative methodologies opportunities are exploited across three disciplines: Structural/Strategic; Technical; Tactical. The fund is actively managed, with a focus on risk management and to provide investors with a high degree of confidence regarding liquidity.

Fees (%) - Including VAT

Service Fee	1.41
Performance Fee	17.25
Total Expense Ratio	2.81*
Transaction Costs	0.10
Total Investment Charge	2.91

*Includes a performance fee of 1.43%

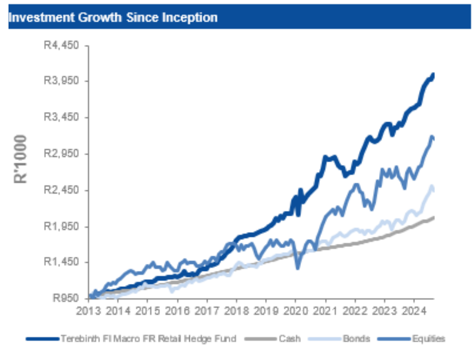
Annual Distributions

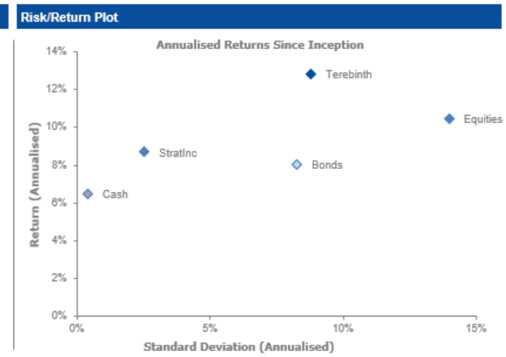
Dec 2023: 11,933.31 cents

Additional Information

Minimum Investment: R1 000 000
Notice Period: One calendar month
Portfolio Valuation Frequency: Monthly
Transaction Cut-Off: 10:00 of last business day of month
Annual distribution declaration date: December
Performance Fee: Uncapped
Participation Rate: 15%

Investment Growth & Risk-Reward - Since Inception





The investment performance is for illustrative purposes only and is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown. Income is reinvested on the reinvestment date.

Period Returns (%)

	YTD	1 Year[1]	3 Years[1]	5 Years[1]	Since Inception[1]
Terebinth FI Macro FR Retail Hedge 1	13.94	18.57	15.08	13.62	12.81
STeFI Composite	7.10	8.53	7.00	6.14	6.50
FTSE/JSE All Bond TR	14.11	21.29	10.49	9.43	8.05
FTSE/JSE All Share TR	14.85	27.16	12.48	12.76	10.44

Monthly Performance*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	STEFI
2013				-0.05%	-0.03%	2.61%	-0.06%	0.04%	0.81%	1.73%	-0.39%	0.58%	**5.32%**	3.93%
2014	0.40%	1.48%	1.15%	0.30%	0.82%	0.80%	1.05%	0.44%	0.21%	1.91%	0.90%	0.64%	**10.58%**	5.90%
2015	1.95%	0.56%	-0.27%	0.21%	1.29%	1.99%	0.32%	0.12%	-0.28%	1.11%	0.71%	-0.98%	**6.89%**	6.48%
2016	1.76%	-1.09%	1.26%	0.96%	4.12%	-3.19%	-0.14%	1.35%	-3.15%	3.30%	2.93%	1.18%	**9.36%**	7.37%
2017	0.81%	0.02%	4.15%	-0.50%	0.57%	1.03%	4.37%	0.30%	1.83%	3.14%	1.61%	1.58%	**20.46%**	7.52%
2018	2.99%	3.96%	2.43%	0.39%	0.89%	-0.38%	1.33%	0.16%	-0.20%	0.54%	1.36%	0.59%	**14.91%**	7.29%
2019	1.15%	0.60%	2.03%	0.64%	1.76%	3.16%	-1.61%	3.33%	-1.75%	3.34%	0.13%	-0.38%	**12.95%**	7.29%
2020	8.51%	2.15%	-10.34%	16.26%	-6.91%	2.22%	2.01%	1.49%	2.09%	1.45%	6.09%	-0.48%	**24.47%**	5.39%
2021	3.86%	5.56%	-1.05%	-0.09%	0.70%	0.71%	-3.96%	-1.04%	-0.17%	-4.05%	1.05%	0.70%	**1.83%**	3.81%
2022	-0.03%	5.45%	-0.92%	0.87%	4.31%	3.84%	2.27%	1.39%	-1.83%	-0.22%	0.53%	0.72%	**17.36%**	5.19%
2023	3.28%	1.73%	1.10%	-0.02%	-4.24%	3.00%	-0.10%	1.98%	-1.15%	2.01%	3.17%	0.86%	**11.99%**	8.03%
2024	0.98%	0.42%	0.62%	0.52%	3.89%	2.95%	0.92%	1.26%	0.22%	1.41%			**13.94%**	7.10%

*Performance is quoted net of all fees. The performance figures until the end of July 2017 (shaded) reflect performance achieved prior to CISCA regulation.

Risk Statistics (%) - Since Inception

	Std Dev	Sharpe Ratio	Sortino Ratio	Kurtosis	Skewness	Highest Rolling 12 Month Return	Lowest Rolling 12 Month Return
Terebinth FI Macro FR Retail Hedge 1	8.78	0.72	0.77	11.93	0.85	37.31	-7.15
STeFI Composite	0.39	—	—	-0.67	-0.55		
FTSE/JSE All Bond TR	8.23	0.18	0.25	2.60	-0.55		
FTSE/JSE All Share TR	14.02	0.35	0.55	0.86	0.14		

Value at Risk (VaR) (%)

Current VaR	2.11
Maximum VaR	4.72
Mandate VaR	20.00

Total exposure and leverage is calculated using the VaR approach. VAR represents the statistical loss that the Fund can experience given its current holding over a one month period with a 1% probability. Portfolio stress testing is performed by subjecting a portfolio through extreme market situations, and noting the portfolio profit and loss, value at risk and exposure movements. Risk Monitoring Specialist: Risk Café.

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TEREBINTH CAPITAL

Contact Details

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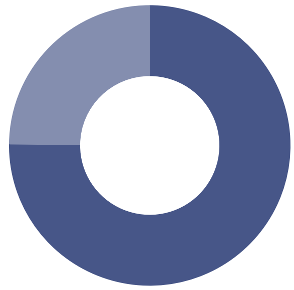
Disclaimer

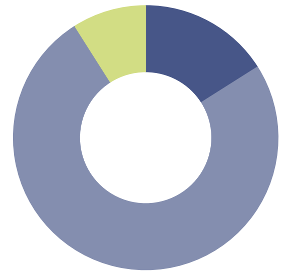
Issue date: 14 November 2024

Asset Allocation



	%
FIXED INCOME: BONDS AND DERIVATIVES	75.2
CASH / MONEY MARKET	24.8
Total	**100.0**

Counterparty Exposure



	%
ABSA BANK LIMITED	16.0
JSE DEBT MARKET	75.0
JSE CLEAR PTY LIMITED	0.0
FIRSTRAND BANK LIMITED	9.0
Total	**100.0**

Market and Fund Commentary

As we reflect on October, it is essential to understand the prevailing dynamics in our global economy. Although the economy continues to expand, the pace has noticeably decelerated, presenting nuanced challenges for investors. Global GDP growth remains resilient but subdued, with projections from the IMF indicating a plateau at pedestrian levels—3.2% for both 2024 and 2025. In developed markets, growth is forecasted at 1.8%, while emerging markets are expected to grow at 4.2%. Yet, growth in Europe is anticipated to lag, and recent indicators suggest that the economic slowdown in China and India may affect broader trends. Amid these uncertainties, household savings are rising, and business investments are softening, particularly in cyclically sensitive sectors.

The upcoming US elections on November 5 are injecting a dose of uncertainty into the market. Economic implications are far more complicated than the market narratives being priced into markets. Most notable perhaps is the starkly different pre-election price behaviour of equity vs. rates markets - risks to higher yields appear to be reflecting some combination of fiscal/debt issuance and inflation fears. In contrast, equities are squarely focused on positive paths to earnings leverage, arguably ignoring the risks therein from different electoral policies. The two views seem to be very much at odds with each other and could be a source of volatility following the election. Who is right or wrong probably won't be settled in the initial market move; it could take months until we truly understand the policy framework.

Market expectations on the Fed have been surprisingly steady, especially following the NFP upside surprise in October, which took the wind out of the sails of the "slowdown" narrative. The latest payroll data, influenced by distortions from Boeing strikes and the hurricane, is not expected to change this narrative significantly.

As discussed, rates and equity markets have very different takes on the policy implications of the election. A Harris victory represents policy continuity, particularly with the expected odds of a Republican Senate. However, the Republican scenarios raise questions—when and at what level would tariffs come, and how would fiscal policy shift? While tariffs are a clear risk, they can be modelled accurately once framed, drawing on the 2018 playbook for insights. In contrast, fiscal policy lacks similar precedents.

EM have faced challenges in recent weeks as the dollar has risen, and tariff risks have been priced in. In the event of a Harris victory, we could expect a rebound in EM assets as tariff risks diminish. However, the stronger dollar and the underperformance of EM-exposed assets have forced central banks, particularly in Latin America, to become more cautious. The economic outlook in EM remains surprisingly resilient despite high real rates, yet these markets remain susceptible to catalyst events, making the upcoming election critical for their trajectory.

As we navigate this landscape, several risks loom. The disconnect between economic uncertainty and financial market volatility is striking. The IMF has noted that while near-term financial stability risks appear contained, the potential for sharper declines in economic activity post-election could create turbulence. Anticipated shifts in fiscal policy could lead to a reallocation of capital across both EM and DM.

Since the establishment of the GNU, South African asset prices have demonstrated notable recovery, indicating a potential shift in the nation's economic landscape. While it is premature to confirm a sustainable improvement in growth toward the 2.5%–3.0% "breakeven" rate, which is critical for reducing the debt-to-GDP ratio and unemployment, there is cause for cautious optimism regarding cyclical growth and asset valuations.

Business and consumer confidence has rebounded post-election uncertainty, aided by reduced load shedding. However, improvements in energy supply have decreased the urgency for fixed investment in embedded generation solutions. Notably, large-scale electricity tariff increases may rekindle demand for energy management solutions. Significant investments, estimated at R400bn, are necessary to expand grid capacity and further stimulate economic growth.

Meanwhile, the logistical sector continues to face challenges, notably in rail and port operations, impacting export growth and competitiveness. Initiatives are underway, including a partnership between Transnet and private firms to upgrade critical container terminals, aimed at addressing these constraints. Successful logistical improvements are projected to boost GDP growth by approximately 1%.

The MTBPS outlined a commitment to fiscal consolidation and structural reforms to enhance economic growth. The budget deficit is projected to narrow from 4.7% to 3.4% of GDP by 2027/28, with a primary surplus forecasted to improve fiscal sustainability. Despite lower revenue forecasts for 2024, driven by reduced VAT and fuel levy collections, the government remains focused on enhancing tax efficiency and minimizing unnecessary expenditure. Significant efforts are being directed toward public infrastructure investment, including strategic PPPs to mobilize private sector resources. The negative reaction to a lack of clarity on inflation targeting, a fiscal rule and reluctance to lower issuance could be weighed up against pushback by the Finance Minister on the affordability of permanent grants and a positive outlook on the potential to be removed from being greylisted midway through 2025.